

NORTH CAROLINA STATE BOARD OF OPTICIANS

**Financial Statements for the
Years Ended June 30, 2014 and 2013 and
Independent Auditor's Report**

NORTH CAROLINA STATE BOARD OF OPTICIANS

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BOARD MEMBERS (2014)

Jennifer S. Hawkins, Chairperson

Heather Allen, Vice-Chairperson

Becky Johnson, Secretary-Treasurer

William T. Brock

William J. Fischer

Carolyn W. Middlebrooks

Heidi Potter

EXECUTIVE OFFICER

Sue Hodgins, Director

LEGAL COUNSEL

M. Jackson Nichols

Allen, Pinnix & Nichols, P.A.

NORTH CAROLINA STATE BOARD OF OPTICIANS

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NORTH CAROLINA STATE BOARD OF OPTICIANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Board's financial report represents Management's analysis of the Board's financial performance during the years ended June 30, 2014 and 2013. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

During 2014, the Board's net position decreased by \$19,144, or 260.3%, due primarily to a consistent recurrence of expenses exceeding revenues. During 2013, the Board's net position decreased by \$61,484, or 113.6%, due primarily to a consistent recurrence of expenses exceeding revenues.

During 2014, the operating revenues of the Board decreased by \$4,915, or 3.0%, due primarily to a decrease in examination fees. During 2013, the operating revenues of the Board increased by \$3,765, or 2.3%, due primarily to an increase in cost recovery income.

During 2014, the non-operating revenues of the Board decreased by \$298, or 52.9%, due to a decrease in cash on hand. During 2013, the non-operating revenues of the Board decreased by \$736, or 56.7%, due to a decrease in interest earnings rates.

During 2014, the operating expenses of the Board decreased by \$47,553, or 20.9%, due primarily to a decrease in employee benefits, board members expenses, employee travel expenses, and equipment rental and maintenance expenses. During 2013, the operating expenses of the Board increased by \$11,370, or 5.3%, due primarily to an increase in office rent and continuing education costs for licensees.

Overview of the Financial Statements

This financial report consists of two sections: Management's Discussion and Analysis and the Financial Statements. The Board has no other supplementary information required by GASB 34. The Financial Statements also include notes to the financial statements that provide detail of the information included in the financial statements.

Basic Financial Statements

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and long-term portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's assets changed as a result of its operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of its financial activities.

NORTH CAROLINA STATE BOARD OF OPTICIANS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Financial Information

The following presents condensed financial information on the operations of the Board:

	Current Year as of and for the year ended June 30, 2014	Current Year as of and for the year ended June 30, 2013
Current assets	\$ 61,646	\$ 95,153
Capital assets	614	1,256
Total assets	<u>\$ 62,260</u>	<u>\$ 96,409</u>
Current liabilities	\$ 88,760	\$ 88,262
Long-term liabilities	0	15,503
Total liabilities	<u>\$ 88,760</u>	<u>\$ 103,765</u>
Investment in capital assets	\$ 614	\$ 1,256
Unrestricted	(27,114)	(8,612)
Total net position	<u>\$ (26,500)</u>	<u>\$ (7,356)</u>
Operating revenues	\$ 160,445	\$ 165,360
Operating expenses	(179,854)	(227,407)
Operating income	(19,409)	(62,047)
Non-operating revenues	265	563
Change in net position	<u>\$ (19,144)</u>	<u>\$ (61,484)</u>

Events Affecting Future Operations

The Board has indicated it has no significant events affecting future operations which are reportable pursuant to GASB 34.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina State Board of Opticians, PO Box 6758, Raleigh, NC 27628.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
North Carolina State Board of Opticians
Raleigh, North Carolina

Report on the Financial Statements

I have audited the accompanying financial statements and the related notes to the financial statements as listed in the table of contents of the North Carolina State Board of Opticians (the "Board"), an independent state agency which is a nonmajor enterprise fund of the primary government of the State of North Carolina, as of June 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Opticians as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance thereon.

A handwritten signature in black ink that reads "Shelton L. Hawley, C.P.A., P.A." The signature is written in a cursive, flowing style.

Shelton L. Hawley, C.P.A., P.A.

Angier, North Carolina

October 21, 2014

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	June 30, 2014	June 30, 2013
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
ASSETS		
Current assets:		
Cash in State Treasurer (Note 2)	\$ 60,850	\$ 94,504
Accrued interest receivable	18	30
Prepaid expense	778	619
Total current assets	61,646	95,153
Capital assets (Note 1):		
Furniture and office equipment	614	1,256
Total capital assets - net of depreciation	614	1,256
TOTAL ASSETS	\$ 62,260	\$ 96,409
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ 5,795	\$ 1,230
Due to other state agencies	563	5,696
Accrued vacation - current portion (Note 1)		2,736
Prepaid copier lease reimbursement	3,677	
Unearned revenue (Note 3)	78,725	78,600
Total current liabilities	88,760	88,262
Long-term debt:		
Accrued vacation - long-term portion (Note 1)		15,503
Total long-term debt	0	15,503
TOTAL LIABILITIES	88,760	103,765
NET POSITION (NOTE 4)		
Investment in capital assets	614	1,256
Unrestricted net position	(27,114)	(8,612)
TOTAL NET POSITION	(26,500)	(7,356)
TOTAL LIABILITIES AND NET POSITION	\$ 62,260	96,409

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING REVENUES:		
Individual renewals	\$ 109,700	\$ 109,800
Wall certificates - individual licenses and duplicates	2,450	3,200
Apprenticeship fees	4,950	5,150
Intern fees	850	675
Business registrations	19,700	19,450
Examination fees	13,800	15,000
Training establishment registration fees	4,800	4,900
Late fees, fines and penalties (net of forfeitures)	2,290	2,550
Miscellaneous income (including cost recovery revenue)	<u>1,905</u>	<u>4,635</u>
Total operating revenues	\$ 160,445	\$ 165,360
OPERATING EXPENSES:		
Salaries and wages (including accumulated leave)	\$ 16,974	\$ 85,669
Severance payment - clerical staff	10,655	
Payroll taxes	2,284	6,301
Retirement contributions (Note 6)	2,542	12,379
Employee insurance	5,269	10,384
Board members expenses - per diem	1,900	4,300
Board members expenses - travel	484	4,505
Staff members and inspectors - travel, meals and lodging	3,935	16,569
Other contracted services - administrative	59,252	
Other contracted services - inspectors and investigative	4,072	6,420
Continuing education costs - licensees	2,337	4,097
Office rent (Note 5)	20,769	18,681
Telephone (including internet and network costs)	3,931	5,984
Computer support services	6,613	5,985
Depreciation	642	1,231
Equipment rental and maintenance (Note 5)	11,723	17,718
Office and administrative supplies	1,381	2,056

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
	<u>Proprietary- Enterprise Fund</u>	<u>Proprietary- Enterprise Fund</u>
OPERATING EXPENSES (CONTINUED):		
Building operating expenses	2,041	1,792
Exam related supplies	445	1,061
Postage	4,049	5,045
Insurance and bonding	257	235
Dues and subscriptions	765	765
Legal and audit fees	17,340	15,632
Miscellaneous expenses	<u>194</u>	<u>598</u>
Total operating expenses	<u>\$ 179,854</u>	<u>\$ 227,407</u>
 Operating income (loss)	 \$ (19,409)	 \$ (62,047)
 NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on disposition of capital assets		14
Interest income	<u>265</u>	<u>549</u>
Total non-operating revenues (net of expenses)	<u>\$ 265</u>	<u>\$ 563</u>
 Change in net position	 <u>\$ (19,144)</u>	 <u>\$ (61,484)</u>
 Net position - beginning of year	 <u>(7,356)</u>	 <u>54,128</u>
 Net position - end of year	 <u><u>\$ (26,500)</u></u>	 <u><u>\$ (7,356)</u></u>

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Cash flows from operating activities:		
Cash received from fees and other operating revenues	\$ 160,570	\$ 170,245
Cash payments to employees for services (including benefits)	(55,963)	(116,982)
Cash payments for operating expenses	(138,538)	(112,762)
Net cash (used) provided by operating activities	\$ (33,931)	\$ (59,499)
Cash flows from capital and related financing activities:		
Proceeds from disposition of capital assets	\$	\$ 14
Net cash used in capital and related financing activities	\$ 0	\$ 14
Cash flows from investing activities:		
Interest on investments	\$ 277	\$ 591
Net cash provided by investing activities	\$ 277	\$ 591
Net increase (decrease) in cash	\$ (33,654)	\$ (58,894)
Cash - beginning of year	94,504	153,398
Cash - end of year	\$ 60,850	\$ 94,504

See notes to financial statements.

NORTH CAROLINA STATE BOARD OF OPTICIANS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
	Proprietary- Enterprise Fund	Proprietary- Enterprise Fund
Reconciliation of operating income		
to net cash provided by operating activities:		
Operating income (loss)	<u>\$ (19,409)</u>	<u>\$ (62,047)</u>
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	\$ 642	\$ 1,231
Changes in assets and liabilities:		
Prepaid expense	(159)	15
Accounts payable	3,109	2,626
Unearned revenue	125	925
Other liabilities	(18,239)	(2,249)
Total adjustments	<u>\$ (14,522)</u>	<u>\$ 2,548</u>
Net cash provided (used) by operating activities	<u><u>\$ (33,931)</u></u>	<u><u>\$ (59,499)</u></u>

See notes to financial statements.

**NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013**

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina State Board of Opticians (the "Board") is an independent State agency. It is an occupational licensing board and is authorized by Chapter 90 of the North Carolina General Statutes. The Board is composed of seven members who are appointed by the Governor of the State of North Carolina. It is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR).

The Board is established to maintain minimum standards for services provided by opticians.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34*, the Board herewith presents Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

The Statements of Revenues, Expenses, and Changes in Net Position demonstrate the degree to which the direct expenses of the Board are offset by examination and license fees.

The financial statements report all activities of the North Carolina State Board of Opticians using the economic resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable, regardless of the timing of cash flows.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of license fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Non-operating revenues and expenses consist of those revenues and expenses that are related to investing, capital, and non-capital financing activities; and are classified as non-operating in the financial statements.

Cash in State Treasurer

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure they are considered a cash equivalent.

Fair Value of Financial instruments

The carrying amounts of the Board's financial instruments approximate their fair value.

Prepaid Expenses

This classification includes prepaid dues, prepaid insurance and prepaid operating lease expense.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board capitalizes assets that have a value or cost of \$500 or greater at the date of acquisition and an estimated useful life of more than one year. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, generally estimated as follows: office furniture and equipment, 5 to 7 years. Summaries follow:

	Cost 06-30-13	Acquisitions	Disposals	Cost 06-30-14	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 25,150	\$ -	\$ -	\$ 25,150	\$ 24,536	\$ 614
	<u>\$ 25,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,150</u>	<u>\$ 24,536</u>	<u>\$ 614</u>

	Cost 06-30-12	Acquisitions	Disposals	Cost 06-30-13	Accumulated Depreciation	Net Amount
Furniture/Equipment	\$ 25,150	\$ -	\$ -	\$ 25,150	\$ 23,894	\$ 1,256
	<u>\$ 25,150</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,150</u>	<u>\$ 23,894</u>	<u>\$ 1,256</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in earnings for the period. Depreciation expense was \$642 for the year ended June 30, 2014 and \$1,231 for the year ended June 30, 2013.

Vacation and Sick Leave

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. At year end, accrued vacation in excess of the limits are transferred and added to sick leave balances. Accumulated earned vacation payable at June 30, 2014 and 2013, consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current portion	\$	\$ 2,736
Long-term portion		15,503
Total	<u>\$ 0</u>	<u>\$ 18,239</u>

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made. The Board had no contingent liability for sick leave at June 30, 2014 and had \$125,306 at June 30, 2013.

Income Taxes

The Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is exempt from federal and state income taxes.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 -Deposits

Cash in State Treasurer

All of the Board's deposits are either insured, or are collateralized under the Pooling Method. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's escrow agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held in the Board's name. The amount of pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Custodial credit risk is the risk that in the event of a bank failure, the Board's funds may not be returned to it. The Board does not have a policy regarding custodial credit risk for its deposits.

Deposit and investments risks associated with the State Treasurer's Deposits and Investments are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of the financial report is available by accessing the North Carolina Office of the State Controller's internet home page, www.osc.state.nc.us, and clicking on "Financial Reports", or calling the State Controller's Financial Reporting Section at (919) 707-0500.

At June 30, 2014, the Board's deposits with the State Treasurer had a carrying value (including undeposited receipts) of \$60,850 and bank balance of \$60,125, which was covered by collateral held under the Pooling Method. At June 30, 2013, the Board's deposits with the State Treasurer had a carrying value (including undeposited receipts) of \$94,504 and bank balance of \$93,929, which was covered by collateral held under the Pooling Method.

Note 3 - Unearned Revenue

The Board's fees are assessed and collected on an annual basis, some of which corresponds with the Board's accounting period and some of which correspond to the calendar year. License renewal fees received in the latter part of the fiscal year are deferred and recognized as revenue over the periods to which they relate.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 4 - Net Position

Investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation.

Restricted net position - expendable - This component of net position consists of net position which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. The Board had no restricted net position at year end.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of *restricted or investment in capital assets*.

Note 5 - Operating Leases

The Board leases building space and office equipment under operating leases. Total rent expense charged to operations under the lease agreements was \$27,423 in 2014 and \$26,094 in 2013.

Rental commitments under noncancellable operating leases at June 30, 2014 are as follows:

Year Ended June 30,		
2015	\$	26,706
2016		27,116
2017		27,535
2018		6,327
2019		2,974
	\$	<u>90,658</u>

Note 6 - Pension Plans

The Board was ineligible to participate in the Teachers' and State Employees' Retirement System of North Carolina prior to October 1, 2000, except on behalf of one employee who was initially employed by the Board prior to July 1, 1983, and who retired during the year ended June 30, 1997. On behalf of those employees ineligible to participate in the State Retirement System prior to October 1, 2000, the Board participated in a Simplified Employee Pension Plan. On October 1, 2000, pursuant to General Statute 135-1(b), the Board elected back into the State Retirement System on behalf of its employees and terminated its Simplified Employee Pension Plan. The Board assumes no liability for retiree benefits provided by its retirement plans other than its required contributions.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 6 - Pension Plans (Continued)

Teachers' and State Employees' Retirement System of North Carolina

The state-wide Teachers' and State Employees' Retirement System of North Carolina (System) is a multiple-employer, cost-sharing, defined benefit pension plan administered by the North Carolina State Treasurer. One employee was covered under the plan for the year ended June 30, 2014 and two employees were covered under the plan for the year ended June 30, 2013, one management employee (for 2013) and one clerical staff employee (for 2014 and 2013). The plan is administered by the State of North Carolina, and information concerning funding, authorization, amendments and other information concerning the plan are included in the State of North Carolina Comprehensive Annual Financial Report (see below). The Board's payroll for employees covered by the System for the year ended June 30, 2014 was \$16,974; the Board's total payroll was \$16,974. The Board's covered payroll for the year ended June 30, 2013 was \$85,669; the Board's total payroll was \$85,669. The Board's covered payroll for the year ended June 30, 2012 was \$86,963; total payroll was \$86,963.

After five years of creditable service, members of the System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service, reach age 60 within 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service.

Benefit and contribution provisions for the System are established by North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations.

The actuarially determined contribution requirement for the year ended June 30, 2014 was \$3,560, which consisted of \$2,542 from the Board and \$1,018 from employees. These contributions represented 14.69% and 6.0% of covered payroll, respectively. The contribution requirement for the year ended June 30, 2013 was \$17,495, which consisted of \$12,379 from the Board and \$5,116 from employees. These contributions represented 14.23% and 6.0% of covered payroll, respectively. The contribution requirement for the year ended June 30, 2012 was \$16,900, which consisted of \$11,844 from the Board and \$5,056 from employees. These contributions represented 13.12% and 6.0% of covered payroll, respectively.

The System's financial information and other required disclosures are included in the State of North Carolina Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page www.osc.state.nc.us and clicking on Financial Reports, or calling the State Controller's Financial Reporting Section at (919) 707-0500.

NORTH CAROLINA STATE BOARD OF OPTICIANS
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

Note 7 - Postemployment Benefits Other Than Pensions

The Board participates in state administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teacher's and State Employees' Retirement System. These benefits were established by Chapter 135 of the North Carolina General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefits for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The Board's contribution for postemployment health care benefits is included in its retirement contribution to the Teachers' and State Employees' Retirement System.

The Board participates in the Disability Income Plan of North Carolina (DIPNC) established by Chapter 135 of the North Carolina General Statutes. DIPNC provides short-term and long-term disability to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advanced on an actuarially determined basis using the one-year term cost method. The Board's contribution for postemployment disability benefits is included in its retirement contribution to the Teachers' and State Employees' Retirement System.

The Board assumes no liability for retiree health care or disability benefits provided by these programs other than its required contributions. Additional detailed information about these programs can be located in the State of North Carolina's Comprehensive Annual Financial Report.

Note 8 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled by participation in state-administered risk programs and self retention of certain risks. Additionally, the Board protects itself from exposure to loss through the purchase of limited commercial insurance coverage.

Note 9 - Contingencies

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management of the Board, the results of such actions during the years under audit do not materially affect the Board's operations, changes in financial position, or cash flows for the years herein ended.

Note 10 - Subsequent Events

Subsequent events have been evaluated through October 21, 2014, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

